Please amend the above-identified application, as follows:

In the Claims:

Please cancel claim 11 without prejudice.

Please amend claims 1, 12, 24 & 37 as follows:

1. (Amended) A method for encoding a frame having [a noisy portion, said frame comprising] a plurality of macroblocks, said method comprising [for each macroblock of said plurality of macroblocks]:

    determining whether said frame includes a noisy portion, and if so, then for each macroblock of said frame:

        (i)   determining a macroblock activity level;

        (ii) determining when said macroblock activity level exceeds a predefined threshold, wherein said macroblock activity level exceeding said predefined threshold indicates that said macroblock is associated with said noisy portion of said frame; and

        (iii) adjusting encoding of said macroblock when said macroblock activity level exceeds said predefined threshold to conserve bits used in encoding said macroblock and thereby save bits

19 otherwise used to encode said noisy portion of

20 said frame.

1 12. (Amended) The method of claim [11]1, wherein said

2 determining whether said frame comprises said noisy portion

3 includes calculating a frame complexity value and comparing

4 said frame complexity value to a predefined complexity

5 threshold.

1 24. (Amended) A system for encoding a frame [having a

2 noisy portion, said frame] comprising a plurality of

3 macroblocks, said system comprising:

4   means for determining whether said frame includes

5 a noisy portion, and if so, then for each macroblock of

6 said frame:

7   (i) means for determining a macroblock

8   activity level;

9   (ii) means for determining when said

10   macroblock activity level exceeds a predefined

11   threshold, wherein said macroblock activity level

12   exceeding said predefined threshold indicates that

13   said macroblock is associated with said noisy

14   portion of said frame; and

15   (iii) means for adjusting encoding of said

16   macroblock when said macroblock activity level

17   exceeds said predefined threshold to conserve bits

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18   used in encoding said macroblock and thereby save

19   bits otherwise used to encode said noisy portion

20   of said frame.

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1   37. (Amended) A computer program product comprising a

2   computer usable medium having computer readable program code

3   means therein for use in encoding a frame [having a noisy

4   portion, said frame] comprising a plurality of macroblocks,

5   said computer readable program code means in said computer

6   program product comprising [for each macroblock of said

7   plurality of macroblocks]:

8   computer readable program code means for causing a

9   computer to affect determining whether said frame

10   includes a noisy portion, and if so, then for each

11   macroblock of said frame said computer program

12   comprises:

13   computer readable program code means for

14   causing a computer to affect determining a

15   macroblock activity level;

16   computer readable program code means for

17   causing a computer to affect determining when said

18   macroblock activity level exceeds a predefined

19   threshold, wherein said macroblock activity level

20   exceeding said predefined threshold indicates that

21   said macroblock is associated with said noisy

22   portion of said frame; and